

For: FSA Offices

**Providing Farm Loan Programs (FLP) Borrowers With Servicing Assistance
Under the Service Members Civil Relief Act (Service Members Act) and
the Ronald W. Reagan National Defense Authorization Act (National Defense Act)**

Approved by: Acting Deputy Administrator, Farm Loan Programs



1 Overview

A Background

FSA is committed to providing service above and beyond the normal scope of daily servicing to assist FLP borrowers, including regular military personnel, and National Guard and Reservist borrowers called to active duty, impacted by military deployment. These individuals may be entitled to additional servicing options under the Service Members Act and National Defense Act.

The National Defense Act provides for the non-accrual of interest and deferral of payments for borrowers who are on active duty during war or a national emergency. The non-accrual of interest is **not** considered debt forgiveness.

Note: For this notice, National Guard members must be on duty at least 30 calendar days to be considered on “active duty”.

B Purpose

This notice:

- requires that FmHA Instruction 1950-C be followed
- provides benefits in addition to those discussed in FmHA Instruction 1950-C
- informs FLP personnel of the guaranteed lender’s responsibilities for guaranteed borrowers covered by the Service Members Act
- obsoletes Notice FLP-423.

Disposal Date	Distribution
June 1, 2007 5-10-06	All FSA Offices; State Offices relay to County Offices

Notice FLP-424

1 Overview (Continued)

C Contact

County Offices shall contact the State Office with any questions. State Offices shall contact LSPMD at 202-720-4572.

2 Servicing Loans to Borrowers Entering Active Duty in the Armed Forces

A FmHA Instruction 1950-C

FSA will adhere to the guidance provided in FmHA Instruction 1950-C when servicing the accounts of borrowers in the armed forces or called to active duty.

B Initiating Payment Deferral and Interest Non-Accrual for Borrowers Who Are on Active Duty

In addition to FmHA Instruction 1950-C and as per the National Defense Act, effective on October 28, 2004, during a war or a national emergency as declared by the President or Congress, the existing FLP payments of borrowers on active duty will be deferred and interest will not accrue beginning on the date in which they enter active duty. The due dates of payments due during or after such active duty will be deferred for a period of time equal to the time the borrower is on active duty during war or a national emergency. This period of deferral will be added to the end of the loan term.

When information is received by the County Office that a borrower has entered or is entering active duty, the County Office will send the borrower Exhibit 1. This will inform the borrower that payments will be deferred and interest will not accrue during the time of active duty.

The Loan Operation Division, Program Reporting Branch (LOD, PRB) will be notified by courtesy copy of Exhibit 1 by FAXing a copy to:

- 314-539-3111 for State Offices coded 1-32
- 314-539-6447 for State Offices coded 33-64.

C Reinstating Annual Payments and Interest Accrual

The payment deferral and interest non-accrual status will end on the earlier of the date the:

- war or national emergency is over
- borrower is released from active duty.

Exhibit 2 will be used to inform the borrower that deferred and non-accrual status has ended. LOD, PRB will be notified by courtesy copy of Exhibit 2 by FAXing a copy to:

- 314-539-3111 for State Offices coded 1-32
- 314-539-6447 for State Offices coded 33-64.

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2 Servicing Loans to Borrowers Entering Active Duty in the Armed Forces (Continued)

D Acceleration or Foreclosure

FSA will not foreclose on the property of a borrower in the armed forces during the borrower's tenure of service and for 3 months thereafter. No FLP account of a borrower on active duty will be accelerated or foreclosed.

Note: If the account has been referred to DOJ, notify DOJ that the borrower is entitled to relief under the Service Members Act or the National Defense Act.

E Treasury and Internal Administrative Offsets

Treasury and internal administrative offsets will be discontinued once a borrower is ordered to report for induction or military service, and any payments received as a result of offset after the date the borrower was called to active duty will be refunded. Treasury offsets shall be suspended by the State Offices by deleting affected loans each quarter on the Borrowers Eligible for TOP Offset Certified Screens or the Borrowers Eligible for TOP Offset Screens. Co-borrowers associated with this debt must also be deleted in an effort to reduce hardship on the family. This suspension begins when the borrower is ordered to report for induction or military service and continues during the period of active duty and 3 months thereafter.

Note: Use delete code "07", "Borrower was indebted to FSA prior to entering full time active duty military service and the account is being serviced in accordance with FmHA Instruction 1950-C and this notice".

F Treasury Cross Servicing

Borrowers called to active military duty shall not be referred for cross servicing. If the borrower has been referred to Treasury for cross servicing, State Offices must initiate a recall by FAXing FSA 1956-22 with code "07" entered in item 14A to LOD, PRB at 314-539-6266.

G Servicing Under FmHA Instruction 1951-S

Borrowers will continue to be notified according to FmHA Instruction 1951-S, Section 1951.907. FSA will promptly provide loan servicing application forms and all assistance necessary in completing and processing those forms. Third parties with appropriate powers of attorney may request servicing on behalf of the borrower in military service. SED's will make full use of the exception authority granted in FmHA Instruction 1951-S, Section 1951.916(b) when additional time is needed by the borrower for submission of a complete application.

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3 Servicing Loans to Guaranteed Borrowers Entering Active Duty in the Armed Forces

A Guaranteed Loans

Provisions of the Service Members Act also affect guaranteed lenders with borrowers called to active military duty. This may include interest rate reduction and a stay on liquidation action. Guaranteed lenders will ensure that the benefits of the Service Members Act are promptly and properly extended to covered guaranteed borrowers, and understand the effects of the Service Members Act about their lending institution's rights and remedies. Servicing actions taken according to the Service Members Act will not jeopardize the guaranteed lenders rights under the loan guarantee.

B Interest Rate Selection

Under the Service Members Act, guaranteed loans with an interest rate in excess of 6 percent may be eligible for interest reduction during the period of the borrower's active military service. Guaranteed lenders should become familiar with their lending institution's rights and remedies according to the Service Members Act.

C Acceleration or Foreclosure

The guaranteed lender generally cannot foreclose on the property of a borrower in the armed forces during the borrower's tenure of service and for 3 months thereafter. No FLP account of a guaranteed borrower on active duty will be accelerated or foreclosed except as allowed by the Service Members Act, Section 303.

D Treasury and Internal Administrative Offsets

Treasury and internal administration offsets taken by the Agency under 7 C.F.R. 762.149(m) will be discontinued once a guaranteed borrower is called to report for induction or military service, and any payments received as a result of offset after the date the borrower was called to active duty will be refunded. Offsets shall be suspended by State Offices by accessing the GLS Debt Offset Maintenance Screen and:

- selecting the Reason Deleting as "Other"
- inputting the Why Agency Deleting as "National Defense Act"
- inputting the delete date.

Note: This information should be entered for both internal administrative offset and the Treasury Offset Program.

This suspension begins when the borrower is called to report for induction or military service and continue during the period of active duty and 3 months thereafter.

Letter to Be Sent to Borrowers Entering Active Duty

Dear (Borrower's Name),
Subject (Case Number)

On October 28, 2004, the President signed into law the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (the Act). As per the Act, while you are on active duty, interest will not accrue and payments will not be required (deferred) on your Farm Service Agency (FSA) Farm Loan Programs (FLP) loans while the United States is at war or during a national emergency as declared by the President or Congress. Payments due during or after active duty will be deferred for the length of time you are on active duty.

The beginning date of the deferred and non-accrual status is _____. The deferral and non-accrual status will end on the earlier of when your active duty ends or the war or national emergency is concluded.

FSA is committed to providing service to assist borrowers who are impacted by military deployment. Please continue to keep this office apprised of you current duty status so your account can be updated in a timely manner once you are relieved from active duty (with a copy of your release orders) or the national emergency has ended.

Please do not hesitate to contact this office if any further information is required.

Letter to Inform Borrowers that Deferral and Non-Accrual Status Has Ended

Dear (Borrower or contact person),
Subject (Case Number)

On October 28, 2004 the President signed into law the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (the Act). As per the Act, interest did not accrue and payments were deferred on your Farm Service Agency (FSA) Farm Loan Programs (FLP) loans when the United States was at war or during a national emergency and you were on active duty. As we understand these conditions no longer exist, interest is now accruing on your FLP loans and payments must resume. Your payments are deferred for a period of time equal to the time of your active duty. The period of time has, therefore, been added to the term of your FLP loans.

The beginning date of the deferred and non-accrual status was _____. The ending date of the deferral and non-accrual status was _____. The time period for you active duty, therefore, was _____.

Within the next 12 months, the following payments are due on your FLP loans:

Loan Number	Date Due	Amount
xx-xx		

FSA is committed to providing service to assist borrowers who are impacted by military deployment.

Please do not hesitate to contact this office if any further information is required.